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House of Representatives
OF THE
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Sixty-ninth Legislature

OF THE
STATE OF TEXAS

BEGUN AND HELD AT
THE CITY OF AUSTIN

AUGUST 6, 1986



ADDRESS BY GOVERNOR MARK WHITE**(The House of Representatives and the Senate in Joint Session)**

In accordance with the provisions of **SCR 1**, providing for a joint session of the senate and the house of representatives at 12 noon today, for the purpose of hearing an address by the Honorable Mark White, Governor of Texas, Lieutenant Governor William P. Hobby, and the Honorable Senators were announced at the door of the house and were admitted.

The senators occupied seats arranged for them.

Lieutenant Governor William P. Hobby was escorted to a seat on the speaker's rostrum.

At 11:50 a.m., Governor Mark White, and party escorted by Senators Farabee, Parker, Santiesteban, McFarland, and Jones, committee on the part of the senate; and Representatives R. Lewis, chair; Clemons, Buchanan, Delco, Edge, Edwards, Harrison, Hollowell, McDonald, Martinez, and G. Thompson, committee on the part of the house, were announced at the door of the house and, being admitted, were escorted to the speaker's rostrum.

(Williamson now present)

Lieutenant Governor Hobby called the senate to order.

A quorum of the senate was announced present.

The Honorable Gibson D. Lewis, Speaker of the House, called the house to order.

A quorum of the house was announced present.

Speaker Lewis stated that the two houses were in joint session pursuant to **SCR 1** for the purpose of hearing an address by the Honorable Mark White, Governor of Texas.

Speaker Lewis recognized the first lady of Texas, Linda Gale White. Lieutenant Governor Hobby then presented Governor White to the joint session. Governor White addressed the joint session, speaking as follows:

Lieutenant Governor Hobby, Speaker Lewis, members of the Senate and the House of Representatives, friends, and fellow Texans:

We would not be here today if the price of oil were \$26 a barrel.

There would be no shadow darkening our economy.

There would be no shortfall in state revenue.

There would be no gap in the budget.

There would be no need for any of the emergency measures we are about to consider. But we aren't the first generation of Texans to face tough choices or tough times.

All year long, all across Texas, we have been recalling—and celebrating—the Texas victory that won our independence in 1836. Let's not forget, though, that in the summer of 1836 the new government of the Republic was deeply in debt.

Texas had a brand new treasury but there was not a penny in it. There was no money to pay the troops. There was not even enough for stationery. They had to borrow to pay the bills. And when they couldn't borrow, they resorted to issuing promissory notes—plain old I.O.U.s.

But they did everything they could, in Sam Houston's words, "to avoid the absolute dissolution of the government." They had fought and won one of the greatest struggles for freedom in the history of the world. There were no easy solutions for moving forward, but they weren't about to turn back.

We are meeting here today in this historic room for much the same reason. In the past three and a half years, we have made tremendous progress for Texas. We have written new chapters in Texas history: in education, for highways, and with a water plan. Great victories and now tough choices, and now we must not turn back.

Let's not forget that after the Civil War, Texas was mired in debt. In 1874, receipts covered less than half of state obligations. No expense was spared the knife. Salaries and even school funds were cut. There were no easy choices.

Around the turn of the century and into the depression of 1913, cattle and cotton prices plummeted. Cotton dropped from 31 cents to less than a nickel a pound. Farmers and ranchers went bankrupt by the thousands. Agriculture, the backbone of the Texas economy, was broken and in shambles. There were no easy choices.

The Great Depression of the 1930s brought with it drought and dust storms. Farm prices hit the bottom. Oil and gas production stagnated. Industrial growth that was just starting up in Texas came to a halt. Revenues dried up. Again the state had no money. Five special sessions were called. People were having the hardest time of their lives. And there were no easy choices.

There were no easy choices at any of those times, and there aren't any now.

But we're not here to make easy choices. We're here to do what's right. We are here to uphold the constitution. We are here to face up to the reality of the hardest time in our lives. And we are here to protect the economic well-being of the people of Texas. Tough times call for tough choices.

When we took our oaths of office, we didn't swear to preserve, protect, and defend the constitution only when times were good. We pledged to execute our duties whatever the circumstances, whenever we were called upon to do so. The constitution doesn't say that we ought to balance the budget. It doesn't say that we should balance the budget. It says that we shall balance the budget, and that is what we must do.

We weren't forced into public office; we asked for public office. And we're here to serve the public interest, not our own.

We're not here as Republicans and Democrats. We're here as Texans. Throughout this special session, let us put aside our differences of politics and philosophy and region.

The State of Texas is facing the most serious economic challenge of modern times. We've never had to face anything like this in our lives. But in hard times Texans unite and band together.

In a period of just five months the price of oil plunged from \$27 a barrel to less than \$10 a barrel. More than 700,000 Texans can't find a job. One out of every four in the oil industry is out of work. The rig count has fallen from 1,900 to 700, down 63 percent. Oil industry investment has been cut by at least \$12 billion, down 40 percent.

And oil imports into the U.S. from Saudi Arabia have shot up from 27,000 barrels a day last year to over 700,000 barrels a day this year.

In 1985, no one foresaw the predatory tactics of the Middle East. In 1941, no one foresaw Pearl Harbor, either. And that's the point. Economic war is being waged against us, against our major industry, against our major source of income—oil.

The casualties of that war are Texas businesses, Texas jobs, and the Texas budget.

There is no way of knowing with certainty what our budget shortfall will be six months . . . eight months . . . a year from now. It changes every day with the price of oil. While only yesterday oil was up—today it's down again.

This week OPEC met and once again made a decision to manipulate oil prices, as we all know.

We cannot—we must not—we will not let Saudi Arabia, or OPEC, or any other kingdom of the world hold the people of Texas and the economy of Texas and the future of Texas hostage to the price of oil. Today, by the best available estimates, there will be a \$2.3 billion gap in the budget if we do not take action now.

The comptroller has estimated the size of the expected shortfall is \$2.9 billion in general revenue. This number includes \$420 million in negative contingencies and \$210 million in spending that can be deferred into the next biennium.

The attorney general assures me there is no immediate threat that the state is going to lose substantial sums of money in the courts.

We've already made progress toward a balanced budget under recent executive orders to reduce spending.

Now we've got to deal with the problems on the table. Now comes the tough part—the toughest part of all—and we're going to have to be tougher than we've ever been before. It's going to hurt. It will be agonizing. But we've got to dig down and make deeper cuts in the budget.

Our first task is to cut every dollar that can be cut from the state's budget without destroying essential services.

We have identified \$1.4 billion in cuts. These cuts include:

- * \$10 million from the Governor's Office;
- * \$17 million from Parks and Wildlife;
- * \$5 million from the Adult Probation Commission;
- * \$3 million from the Texas Water Commission;
- * \$17 million from the Department of Health;
- * \$86 million from the Department of Human Services;
- * \$78 million from junior colleges;
- * \$64 million from 36 universities;
- * \$306 million from the Highway Department;
- * \$97 million . . . forego fiscal year 87 pay raise;
- * \$94 million . . . roll back salaries by 3 percent.

More than a dozen state agencies will be merged or eliminated.

We've been asking more and more from our state employees and giving them less and less. Indeed, regrettably, some may necessarily be laid off from their jobs. But the last thing we want to do is create new unemployment . . . we've got too much of that already.

I want every agency head to understand this: layoffs of state employees should be the very last resort. Not one state employee should lose his or her job until every possible alternative has been exhausted.

Nobody knows better than I the value of the work they do.

Let me tell you about the governor of another southern state who imposed a hiring freeze. He received a letter of resignation from a state employee—a drawbridge operator—who said, "Since there will be no one to replace me, Governor, what do you want me to do? . . . Leave the drawbridge up? . . . Or leave the drawbridge down?"

To avoid interruptions in essential services or any unnecessary layoffs, we need emergency budget execution authority. This will enable us to make budgetary adjustments between legislative sessions, should our financial situation improve or deteriorate.

These cuts are deep. These cuts are painful. I know what they mean in human terms. It's devastating.

But that's where I draw the line. It would be irresponsible to go any further. It would be wrong.

And let me tell you why . . .

Her name is Angela Botello, four-years-old. She lives in La Joya and attended Kennedy Elementary School this past year. A year ago, little Angela knew just a few words in English. She knew how to say "table" and "water." Most of her family speaks only Spanish. Her mother says that when Angela comes home from school now she sings—in English. Angela has a birthday coming up on Saturday; she'll turn five. I think the very best birthday present we could give her would be our promise that we're going to keep her school a place to build her future.

We didn't build public education in 1984 to tear it down in 1986.

Two years ago, in education, we began near the bottom, 46th in the nation, and we made it the number one priority in Texas. We did that together in this chamber. We began without a bill and without a budget to pay for it. There was one thing we had. We had the resolve to make a commitment to quality education for our children. That commitment is already paying off. That's what we're fighting for today.

We were 30th in teacher pay, and today we're 21st, up nine places.

We were 40th in investment per student, and today we're 34th, up six places.

Student achievement scores are up 12 points in Texas.

And just a few days ago, we learned the results of basic skills tests for our first grade students.

Eighty-three percent passed their math. Eighty percent passed the writing portion. Seventy-three percent passed in reading.

All across the board—all across this state—our youngest students are already on the forefront of success. That first grade class is the college graduating class of the year 2001. They'll be leading Texas into the 21st century, and they're off to a great start.

Remember what we did, right here, to build the future with a prekindergarten program, beginning at the bottom, in the earliest grades, going right through high school, going all the way to the top.

That's why we've got to draw the line. We're not backing off of the education reforms in House Bill 72. We're not going to shut down our hospitals or our prisons—in fact we need more of them—and we're not going to cut law enforcement or public safety. We will not take away the eyeglasses and the canes and the crutches of the people who need them. We will not take food from the mouths of the elderly or the infant.

We've simply got to draw the line.

I am asking you, therefore, to enact an increase of 1-1/8 cents in our state sales tax effective September 1.

I know that will take a bipartisan effort by this legislature.

I'm asking Republicans and Democrats—every member—to join with me to do this immediately.

This will be a temporary "oil and gas replacement tax"—an emergency tax—to make up for lost revenues. It will be sunsetted automatically on the last day of this biennium—midnight, August 31, 1987. Should circumstances improve, nothing will please me more than to abolish this tax even earlier.

Every penny of this tax will be used to balance the budget. Not one penny will be used for new programs or for additional state employees.

Some say this may cost us our jobs. And it might.

I know what I'm asking of you when I call for a tax increase. No one ever wants to raise taxes. But it's not a question of want, it's a question of need.

Cost us our jobs? We all know Texas wasn't founded by leaders fearful of losing their jobs—or their lives.

Cost us our jobs? There are more than 700,000 Texans out there who have already lost theirs.

No. We must do our job for the people of Texas—regardless of the consequences. They expect us to do what is right and what is necessary. While they fight to save their homes, their farms, their ranches, and their businesses, they expect us to fight to save our schools, our highways, and the future of Texas. And that is what we must do.

They expect us to fulfill our constitutional responsibilities. I'll accept that challenge. And I'll accept the consequences.

We need this emergency tax—for one year. We need it for the future of Texas. But there is one tax we don't need and we'll never have.

Today, I am asking you to give the people of Texas a constitutional amendment prohibiting a state income tax—corporate or personal.

Banning an income tax in Texas will help us continue to diversify our economy and attract new industry and jobs. It will compliment the foundation for our future that we have already established through our commitment to education, research, highways, and water.

And of course you can't have a strong economy without a strong banking system. We must consider fortifying our Texas banks through interstate banking.

We've learned all too well that we can't build our economic future on the instability of fluctuating oil prices. That's why our program for economic diversification is built upon certainty—good roads, good schools, adequate water supplies, strong banks, and low taxes—remember, 42 states have higher taxes than Texas.

We have to fix this current crisis with our current tax system. But we've got to face the fact that the current tax structure no longer fits the changing Texas economy. We must work to reform not only our sales tax, but also property taxes, severance taxes—all those taxes that are getting out of step with changing times and a changing Texas economy.

My staff is looking at ways to make our tax system fairer, and I will come to you in January to reform our system. We want to do this well. We want to do it right. We want to do it so that it meets the needs of our state for at least the next 10 years not just the next 10 or 12 months.

I will also be calling on private/public sector partnerships to provide incentives for future investment in Texas, with particular authorization for use of our public funds to spur business expansion, job creation, and industrial development.

The one thing we cannot do now is to allow a crisis to immobilize us with panic and fear.

That's the real lesson of our history.

Our forefathers taught us to persevere and provide for the future even as we are in the throes of a crisis. That's what they did.

When men were fighting and dying at the Alamo, others were meeting at Washington-On-The-Brazos. There, in an unfinished farmhouse, in the freezing cold, they were writing our Declaration of Independence—a declaration of political independence and human rights.

We must make that same kind of bold commitment to our future now.

We've got to fight to keep the groundwork we've already laid for economic diversification, profits, jobs, and opportunity.

In this session we've got to stand off the pressure bearing down on our economy and take the first steps toward economic recovery.

We've got much more to do in the months ahead, because we've just begun to write a new declaration of independence for Texas—a new kind of declaration—a Texas Declaration of Economic Independence.

None of this will be easy, it never was before.

But you and I will not be fighting alone or for ourselves—because there are 16 million Texans standing behind us. They will be with us and for us if we do the right thing.

I don't need to remind anyone here today who said, "Do right and risk consequences."

Let's do right. This will not be our Alamo. This will be our San Jacinto.

GOVERNOR'S PROPOSAL

COMPTROLLER'S ESTIMATE OF G.R. DEFICIT	(\$2,863.6)
Less:	
- Contingencies	\$ 419.8
- Energy Conservation Disbursements	<u>209.9</u>
REMAINING DEFICIT	(\$2,233.9)

GENERAL REVENUE BUDGET REDUCTION MEASURES

Agency Appropriation Reductions	\$ 762.3
Forego FY 87 Salary Increase and Rollback	
Salaries by 3%	186.0
Early Retirement Program	40.0
Highway Department G.R. Contingency	<u>245.0</u>
SUBTOTAL, BUDGET REDUCTIONS	\$1,233.3
Change Pay Day to First of Month (Effective 1/1/87)	200.0
TOTAL REDUCTIONS TO GENERAL REVENUE	<u>\$1,433.3</u>
REMAINING DEFICIT	800.6
Emergency, 1 Year Increase in State Sales Tax	
From 4.125 cents to 5.25 cents (Effective 9-1-86)	<u>\$ 810.0</u>

SENATE RECESSES

At 12:20 p.m., Lieutenant Governor Hobby stated that the business of the joint session had been accomplished and that the senate would, in accordance with a previous motion, stand recessed until 2:30 p.m. today.